

AMENDED IN SENATE JULY 6, 2011  
AMENDED IN SENATE JUNE 21, 2011  
AMENDED IN ASSEMBLY MARCH 31, 2011  
CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 624**

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**Introduced by Assembly Members John A. Pérez and Blumenfield  
(Principal coauthor: Assembly Member Solorio)  
(Coauthors: Assembly Members Alejo, Carter, Chesbro, Dickinson,  
Gordon, Bonnie Lowenthal, and Ma)**

February 16, 2011

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An act to add Section 12939.2 to the Insurance Code, and to amend Sections 12209, 17053.57, and 23657 of the Revenue and Taxation Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 624, as amended, John A. Pérez. California Organized Investment Network.

Existing laws governing the taxation of insurers, the Personal Income Tax Law, and the Corporation Tax Law, authorize, until January 1, 2012, a credit in an amount equal to 20% of a qualified investment, as defined, made into a community development financial institution, as defined, but not to exceed, in the aggregate amount under all those laws, \$10,000,000 per year.

The bill would extend the operation of the credits until January 1, 2017, ~~and increase the \$10,000,000 limitation on the aggregate amount of qualified investments to \$20,000,000~~ *would eliminate specified limitations on the aggregate certified investments, and would eliminate certain requirements regarding certificates issued to taxpayers.* The

bill would ~~require~~ *authorize* the Insurance Commissioner to establish a California Organized Investment Network Advisory Board, as specified, to advise the California Organized Investment Network on the best methods of increasing insurance investments while providing fair returns to investors and social benefits to underserved communities, increase the level and number of contacts among executives in the insurance industry, and recommend programmatic guidelines to the California Organized Investment Network program. *The bill would also authorize the California Organized Investment Network, in allocating qualified investment credits, when certain conditions are met, to prioritize applications for those credits, as specified.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 12939.2 is added to the Insurance Code,
- 2 to read:
- 3 12939.2. (a) The commissioner ~~shall~~ *may* establish and appoint
- 4 a California Organized Investment Network Advisory Board.
- 5 (b) For purposes of this section, all of the following shall apply:
- 6 (1) “Commissioner” means the Insurance Commissioner of this
- 7 state.
- 8 (2) “Board” means the California Organized Investment
- 9 Network Advisory Board.
- 10 (3) “Licensed attorney” means an attorney who resides in this
- 11 state who has successfully passed the California bar examination
- 12 and has been admitted to practice in this state or has otherwise
- 13 been licensed to practice law in this state by the State Bar of
- 14 California.
- 15 (c) The board shall include the commissioner, or his or her
- 16 designee, and at least one voluntary member from each of the
- 17 following:
- 18 (1) An executive in the insurance investment industry.
- 19 (2) A licensed attorney practicing insurance law.
- 20 (3) The public, appointed by the Speaker of the Assembly.
- 21 (4) The public, appointed by the Senate Committee on Rules.
- 22 (5) A consumer advocacy group.
- 23 (6) An affordable housing practitioner.
- 24 (7) A local economic development practitioner.

1 (8) A financial institution or a community development financial  
2 institution.

3 (d) The board shall elect, from among its members, a chair.

4 (e) The term of each member shall be for two years. Staggered  
5 terms shall be established by drawing lots at the first meeting of  
6 the advisory board so that a simple majority of the members shall  
7 initially serve a two-year term, and the remainder initially a  
8 one-year term.

9 (f) The board shall have all of the following powers and duties:

10 (1) To advise the California Organized Investment Network, or  
11 any successor thereof, on the best methods to increase the level of  
12 insurance industry capital in safe and sound investments while  
13 providing fair returns to investors and social benefits to  
14 underserved communities.

15 (2) To meet quarterly, or as deemed necessary by the  
16 commissioner.

17 (3) To increase the level and number of contacts among  
18 executives at insurance companies, community-based  
19 organizations, and community development financial institutions.

20 (4) To recommend programmatic guidelines, but not specific  
21 allocations of the tax credit amount, to the California Organized  
22 Investment Network program.

23 (g) The members of the board shall not receive compensation  
24 from the state for their services under this section but, when called  
25 to attend a meeting of the board, may be reimbursed for their actual  
26 and necessary expenses incurred in connection with the meeting.

27 SEC. 2. Section 12209 of the Revenue and Taxation Code is  
28 amended to read:

29 12209. (a) For each year beginning on or after January 1, 1999,  
30 and before January 1, 2017, there shall be allowed as a credit  
31 against the amount of tax, as defined in Section 28 of Article XIII  
32 of the California Constitution, an amount equal to 20 percent of  
33 the amount of each qualified investment made by a taxpayer during  
34 the taxable year into a community development financial institution  
35 that is certified by the Department of Insurance, California  
36 Organized Investment Network, or any successor thereof.

37 (b) For purposes of determining any tax that may be imposed  
38 under Section 685 of the Insurance Code on a taxpayer not  
39 organized under the laws of this state, the amount of the credit  
40 allowed by subdivision (a) shall be treated as a tax paid under

1 Section 12201 or Section 28 of Article XIII of the California  
2 Constitution.

3 (c) (1) Notwithstanding any other provision of this part, no  
4 credit shall be allowed under this section unless the California  
5 Organized Investment Network, or its successor within the  
6 Department of Insurance, certifies that the investment described  
7 in subdivision (a) qualifies for the credit under this section and  
8 certifies the total amount of the credit allocated to the taxpayer  
9 pursuant to this section.

10 (2) A credit shall not be allowed by this section unless the  
11 applicant and the taxpayer provide satisfactory substantiation to,  
12 and in the form and manner requested by, the Department of  
13 Insurance, California Organized Investment Network, or any  
14 successor thereof, that the investment is a qualified investment as  
15 defined in paragraph (1) of subdivision (g). ~~In addition, on or after~~  
16 ~~January 1, 2007, the aggregate certified investments shall meet all~~  
17 ~~of the following:~~

18 ~~(A) Each year, until October 1, the total qualified investments~~  
19 ~~certified in any calendar year from any one community~~  
20 ~~development financial institution together with its affiliates, as~~  
21 ~~defined in Section 1215 of the Insurance Code, does not exceed~~  
22 ~~the lesser of either twenty million dollars (\$20,000,000) or 40~~  
23 ~~percent of the annual aggregate amount of qualified investments~~  
24 ~~authorized in the first sentence of paragraph (3), or until a date or~~  
25 ~~an amount determined in regulations promulgated by the Insurance~~  
26 ~~Commissioner.~~

27 ~~(B) Each year, until July 1, the annual aggregate amount of~~  
28 ~~qualified investments specified in the first sentence of paragraph~~  
29 ~~(3) that is reserved for investments by admitted insurers is 25~~  
30 ~~percent, or until a date or an amount determined in regulations~~  
31 ~~promulgated by the Insurance Commissioner.~~

32 ~~(C) Each year, until July 1, the annual aggregate amount of~~  
33 ~~qualified investments authorized in the first sentence of paragraph~~  
34 ~~(3) that is reserved for individual investment amounts of less than~~  
35 ~~or equal to three hundred thousand dollars (\$300,000) is three~~  
36 ~~million dollars (\$3,000,000), or until a date or amounts determined~~  
37 ~~in regulations promulgated by the Insurance Commissioner.~~

38 (3) The aggregate amount of qualified investments made by all  
39 taxpayers pursuant to this section, Section 17053.57, and Section  
40 23657 shall not exceed twenty million dollars (\$20,000,000) *ten*

1 million dollars (\$10,000,000) for each calendar year. However, if  
2 the aggregate amount of qualified investments made in any  
3 calendar year is less than ~~twenty million dollars (\$20,000,000)~~ ten  
4 million dollars (\$10,000,000), the difference may be carried over  
5 to the next year, and any succeeding year during which this section  
6 remains in effect, and added to the aggregate amount authorized  
7 for those years.

8 (4) *If the California Organized Investment Network determines*  
9 *that total qualified investments will exceed the aggregate amount*  
10 *of qualified investments made by all taxpayers specified in*  
11 *paragraph (3), priority shall be granted to those applications that*  
12 *meet any or all of the following:*

13 (A) *Directly benefit low-income persons.*

14 (B) *Prioritize rental housing, mortgages for community-based*  
15 *residential programs, and self-help housing ahead of single-family*  
16 *owned housing.*

17 (C) *Represent investments from insurance companies subject*  
18 *to tax under Section 12201 of this code or under Section 28 of*  
19 *Article XIII of the California Constitution.*

20 (d) The community development financial institution shall do  
21 all of the following:

22 (1) Apply to the Department of Insurance, California Organized  
23 Investment Network, or its successor, for certification of its status  
24 as a community development financial institution.

25 (2) Apply to the Department of Insurance, California Organized  
26 Investment Network, or its successor, on behalf of the taxpayer  
27 for certification of the amount of the investment and the credit  
28 amount allocated to the taxpayer, obtain the certification, and retain  
29 a copy of the certification.

30 (3) Obtain the taxpayer's California company identification  
31 number for tax administration purposes and provide this  
32 information to the Department of Insurance, California Organized  
33 Investment Network, or its successor, with the application required  
34 in paragraph (2).

35 (4) Provide an annual listing to the State Board of Equalization,  
36 in the form and manner agreed upon by the State Board of  
37 Equalization and the Department of Insurance, California  
38 Organized Investment Network, or its successor, of the names and  
39 taxpayer's California company identification numbers of any  
40 taxpayer who makes any withdrawal or partial withdrawal of a

1 qualified investment before the expiration of 60 months from the  
2 date of the qualified investment.

3 (5) Submit reports to the department, California Organized  
4 Investment Network, or any successor thereof, as required pursuant  
5 to subdivision (a) of Section 12939.1 of the Insurance Code.

6 *(e) The California Organized Investment Network may certify*  
7 *investments for the credit allowed by this section on or before*  
8 *January 1, 2015, but not after that date.*

9 ~~(e)~~

10 (f) The Insurance Commissioner may develop instructions,  
11 procedures, and standards for applications, and for administering  
12 the criteria for the evaluation of applications under this section.  
13 The Insurance Commissioner may, from time to time, issue  
14 regulations to implement the provisions of this section.

15 ~~(f)~~

16 (g) The Department of Insurance, California Organized  
17 Investment Network, or any successor thereof, shall do all of the  
18 following:

19 (1) Accept and evaluate applications for certification from  
20 financial institutions and issue certificates that the applicant is a  
21 community development financial institution qualified to receive  
22 qualified investments. To receive a certificate, an applicant shall  
23 satisfy the Department of Insurance, California Organized  
24 Investment Network, or any successor thereof, that it meets the  
25 specific requirements to be a community development financial  
26 institution for this state program as defined in paragraph (2) of  
27 subdivision ~~(g)~~ (h). The certificate may be issued for a specified  
28 period of time, and may include reasonable conditions to effectuate  
29 the intent of this section. The Insurance Commissioner may  
30 suspend or revoke a certification, after affording the institution  
31 notice and the opportunity to be heard, if the commissioner finds  
32 that an institution no longer meets the requirement for certification.

33 (2) Accept and evaluate applications for certification from any  
34 community development financial institution on behalf of the  
35 taxpayer and issue certificates to taxpayers in an aggregate amount  
36 that shall not exceed the limit specified in subdivision (c). The  
37 certificate shall include the amount eligible to be made as an  
38 investment that qualifies for the credit and the total amount of the  
39 credit to which the taxpayer is entitled for the year. Applications  
40 for tax credits shall be accepted and evaluated throughout the year.

1 Certificates shall be issued in the order that complete applications  
2 are received. If the aggregate amount of tax credit applications  
3 exceeds the amount of tax credits available, tax credits shall be  
4 approved for qualifying investments on a first-come-first-served  
5 basis as determined by the order in which complete applications  
6 are received. All applications received on the same business day  
7 are deemed to be received at the same time. If the aggregate amount  
8 of tax credit applications received on a single business day exceeds  
9 the amount of tax credits available, tax credits shall be approved  
10 for qualifying investments received on that day on a pro rata basis.

11 (3) Provide an annual listing to the State Board of Equalization,  
12 in the form or manner agreed upon by the State Board of  
13 Equalization and the Department of Insurance, California  
14 Organized Investment Network, or its successor, of the taxpayers  
15 who were issued certificates, their respective National Association  
16 of Insurance Commissioners company number and employer's tax  
17 identification number, the amount of the qualified investment made  
18 by each taxpayer, and the total amount of qualified investments.

19 (4) Include information specified pursuant to subdivision (b) of  
20 Section 12939.1 of the Insurance Code in the report required by  
21 Section 12922 of the Insurance Code.

22 (g)

23 (h) For purposes of this section:

24 (1) "Qualified investment" means an investment that is a deposit  
25 or loan that does not earn interest, or an equity investment, or an  
26 equity-like debt instrument that conforms to the specifications for  
27 these instruments as prescribed by the United States Department  
28 of the Treasury, Community Development Financial Institutions  
29 Fund, or its successor, or, in the absence of that prescription, as  
30 defined by the Insurance Commissioner. The investment must be  
31 equal to or greater than fifty thousand dollars (\$50,000) and made  
32 for a minimum duration of 60 months. During that 60-month  
33 period, the community development financial institution shall have  
34 full use and control of the proceeds of the entire amount of the  
35 investment as well as any earnings on the investment for its  
36 community development purposes. The entire amount of the  
37 investment shall be received by the community development  
38 financial institution before the application for the tax credit is  
39 submitted. The community development financial institution shall  
40 use the proceeds of the investment for a purpose that is consistent

1 with its community development mission and for the benefit of  
2 economically disadvantaged communities and low-income people  
3 in California.

4 (2) “Community development financial institution” means a  
5 private financial institution located in this state that is certified by  
6 the Department of Insurance, California Organized Investment  
7 Network, or its successor, that, consistent with the findings,  
8 declarations, and intent set forth in Section 12939 of the Insurance  
9 Code, has community development as its primary mission, and  
10 that lends in urban, rural, or reservation-based communities in this  
11 state. A community development financial institution may include  
12 a community development bank, a community development loan  
13 fund, a community development credit union, a microenterprise  
14 fund, a community development corporation-based lender, or a  
15 community development venture fund.

16 ~~(h)~~

17 (i) (1) If a qualified investment is withdrawn before the end of  
18 the 60th month and not reinvested in another community  
19 development financial institution within 60 days, there shall be  
20 added to the “tax,” as defined in Section 28 of Article XIII of the  
21 California Constitution, for the year in which the withdrawal  
22 occurs, the entire amount of any credit previously allowed under  
23 this section.

24 (2) If a qualified investment is reduced before the end of the  
25 60th month, but not below fifty thousand dollars (\$50,000), there  
26 shall be added to the “tax,” as defined in Section 28 of Article XIII  
27 of the California Constitution, for the taxable year in which the  
28 reduction occurs, an amount equal to 20 percent of the total  
29 reduction for the year.

30 ~~(i)~~

31 (j) In the case where the credit allowed by this section exceeds  
32 the “tax,” the excess may be carried over to reduce the “tax” for  
33 the next four years, or until the credit has been exhausted,  
34 whichever occurs first.

35 ~~(j)~~

36 (k) The State Board of Equalization shall, as requested by the  
37 Department of Insurance, California Organized Investment  
38 Network, or its successor, advise and assist in the administration  
39 of this section.

40 ~~(k)~~



1 (l) This section shall remain in effect only until December 1,  
2 2017, and as of that date is repealed.

3 SEC. 3. Section 17053.57 of the Revenue and Taxation Code  
4 is amended to read:

5 17053.57. (a) For each taxable year beginning on or after  
6 January 1, 1997, and before January 1, 2017, there shall be allowed  
7 as a credit against the amount of "net tax," as defined in Section  
8 17039, an amount equal to 20 percent of the amount of each  
9 qualified investment made by a taxpayer during the taxable year  
10 into a community development financial institution that is certified  
11 by the Department of Insurance, California Organized Investment  
12 Network, or any successor thereof.

13 (b) (1) Notwithstanding any other provision of this part, a credit  
14 shall not be allowed under this section unless the California  
15 Organized Investment Network, or its successor within the  
16 Department of Insurance, certifies that the investment described  
17 in subdivision (a) qualifies for the credit under this section and  
18 certifies the total amount of the credit allocated to the taxpayer  
19 pursuant to this section.

20 (2) A credit shall not be allowed by this section unless the  
21 applicant and the taxpayer provide satisfactory substantiation to,  
22 and in the form and manner requested by, the Department of  
23 Insurance, California Organized Investment Network, or any  
24 successor thereof, that the investment is a qualified investment, as  
25 defined in paragraph (1) of subdivision (f) (g). ~~In addition, on or~~  
26 ~~after January 1, 2007, the aggregate certified investments shall~~  
27 ~~meet all of the following:~~

28 ~~(A) Each year, until October 1, the total qualified investments~~  
29 ~~certified in any calendar year from any one community~~  
30 ~~development financial institution together with its affiliates, as~~  
31 ~~defined in Section 1215 of the Insurance Code, does not exceed~~  
32 ~~the lesser of either twenty million dollars (\$20,000,000) or 40~~  
33 ~~percent of the annual aggregate amount of qualified investments~~  
34 ~~authorized in the first sentence of paragraph (3), or until a date or~~  
35 ~~an amount determined in regulations promulgated by the Insurance~~  
36 ~~Commissioner.~~

37 ~~(B) Each year, until July 1, the annual aggregate amount of~~  
38 ~~qualified investments specified in the first sentence of paragraph~~  
39 ~~(3) that is reserved for investments by admitted insurers is 25~~

1 percent, or until a date or an amount determined in regulations  
2 promulgated by the Insurance Commissioner.

3 (C) Each year, until July 1, the annual aggregate amount of  
4 qualified investments authorized in the first sentence of paragraph  
5 (3) that is reserved for individual investment amounts of less than  
6 or equal to three hundred thousand dollars (\$300,000) is three  
7 million dollars (\$3,000,000), or until a date or amounts determined  
8 in regulations promulgated by the Insurance Commissioner.

9 (3) The aggregate amount of qualified investments made by all  
10 taxpayers pursuant to this section, Section 12209, and Section  
11 23657 shall not exceed ~~twenty million dollars (\$20,000,000)~~ *ten*  
12 *million dollars (\$10,000,000)* for each calendar year. However, if  
13 the aggregate amount of qualified investments made in any  
14 calendar year is less than ~~twenty million dollars (\$20,000,000)~~ *ten*  
15 *million dollars (\$10,000,000)*, the difference may be carried over  
16 to the next year, and any succeeding year during which this section  
17 remains in effect, and added to the aggregate amount authorized  
18 for those years.

19 (4) *If the California Organized Investment Network determines*  
20 *that total qualified investments will exceed the aggregate amount*  
21 *of qualified investments made by all taxpayers specified in*  
22 *paragraph (3), priority shall be granted to those applications that*  
23 *meet any or all of the following:*

24 (A) *Directly benefit low-income persons.*

25 (B) *Prioritize rental housing, mortgages for community-based*  
26 *residential programs, and self-help housing ahead of single-family*  
27 *owned housing.*

28 (C) *Represent investments from insurance companies subject*  
29 *to tax under Section 12201 of this code or under Section 28 of*  
30 *Article XIII of the California Constitution.*

31 (c) The Community Development Financial Institution shall do  
32 all of the following:

33 (1) Apply to the Department of Insurance, California Organized  
34 Investment Network, or its successor, for certification of its status  
35 as a Community Development Financial Institution.

36 (2) Apply to the Department of Insurance, California Organized  
37 Investment Network, or its successor, on behalf of the taxpayer  
38 for certification of the amount of the investment and the credit  
39 amount allocated to the taxpayer, obtain the certification, and retain  
40 a copy of the certification.

1 (3) Obtain the taxpayer's identification number, or in the case  
2 of a partnership, the taxpayer identification numbers of all the  
3 partners for tax administration purposes and provide this  
4 information to the Department of Insurance, California Organized  
5 Investment Network, or its successor, with the application required  
6 in paragraph (2).

7 (4) Provide an annual listing to the Franchise Tax Board, in the  
8 form and manner agreed upon by the Franchise Tax Board and the  
9 Department of Insurance, California Organized Investment  
10 Network, or its successor, of the names and taxpayer identification  
11 numbers of any taxpayer who makes any withdrawal or partial  
12 withdrawal of a qualified investment before the expiration of 60  
13 months from the date of the qualified investment.

14 (5) Submit reports to the department, California Organized  
15 Investment Network, or any successor thereof, as required pursuant  
16 to subdivision (a) of Section 12939.1 of the Insurance Code.

17 (d) The Insurance Commissioner may develop instructions,  
18 procedures, and standards for applications, and for administering  
19 the criteria for the evaluation of applications under this section.  
20 The Insurance Commissioner may, from time to time, issue  
21 regulations to implement the provisions of this section.

22 (e) *The California Organized Investment Network may certify*  
23 *investments for the credit allowed by this section on or before*  
24 *January 1, 2015, but not after that date.*

25 ~~(e)~~

26 (f) The Department of Insurance, California Organized  
27 Investment Network, or any successor thereof, shall do all of the  
28 following:

29 (1) Accept and evaluate applications for certification from  
30 financial institutions and issue certificates that the applicant is a  
31 Community Development Financial Institution qualified to receive  
32 qualified investments. To receive a certificate, an applicant shall  
33 satisfy the Department of Insurance, California Organized  
34 Investment Network, or any successor thereof, that it meets the  
35 specific requirements to be a community development financial  
36 institution for this state program as defined in paragraph (2) of  
37 subdivision ~~(f)~~ (g). The certificate may be issued for a specified  
38 period of time, and may include reasonable conditions to effectuate  
39 the intent of this section. The Insurance Commissioner may  
40 suspend or revoke a certification, after affording the institution

1 notice and the opportunity to be heard, if the commissioner finds  
2 that an institution no longer meets the requirement for certification.

3 (2) Accept and evaluate applications for certification from any  
4 Community Development Financial Institution on behalf of the  
5 taxpayer and issue certificates to taxpayers in an aggregate amount  
6 that shall not exceed the limit specified in subdivision (b). The  
7 certificate shall include the amount eligible to be made as an  
8 investment that qualifies for the credit and the total amount of the  
9 credit to which the taxpayer is entitled for the taxable year.  
10 Applications for tax credits shall be accepted and evaluated  
11 throughout the year. ~~Certificates shall be issued in the order that~~  
12 ~~complete applications are received. If the aggregate amount of tax~~  
13 ~~credit applications exceeds the amount of tax credits available, tax~~  
14 ~~credits shall be approved for qualifying investments on a~~  
15 ~~first-come-first-served basis as determined by the order in which~~  
16 ~~complete applications are received. All applications received on~~  
17 ~~the same business day are deemed to be received at the same time.~~  
18 ~~If the aggregate amount of tax credit applications received on a~~  
19 ~~single business day exceeds the amount of tax credits available,~~  
20 ~~tax credits shall be approved for qualifying investments received~~  
21 ~~on that day on a pro rata basis.~~

22 (3) Provide an annual listing to the Franchise Tax Board, in the  
23 form or manner agreed upon by the Franchise Tax Board and the  
24 Department of Insurance, California Organized Investment  
25 Network, or its successor, of the taxpayers who were issued  
26 certificates, their respective tax identification numbers, the amount  
27 of the qualified investment made by each taxpayer, and the total  
28 amount of all qualified investments.

29 (4) Include information specified pursuant to subdivision (b) of  
30 Section 12939.1 of the Insurance Code in the report required by  
31 Section 12922 of the Insurance Code.

32 (f)

33 (g) For purposes of this section:

34 (1) "Qualified investment" means an investment that is a deposit  
35 or loan that does not earn interest, or an equity investment, or an  
36 equity-like debt instrument that conforms to the specifications for  
37 these instruments as prescribed by the United States Department  
38 of the Treasury, Community Development Financial Institutions  
39 Fund, or its successor, or, in the absence of that prescription, as  
40 defined by the Insurance Commissioner. The investment must be

1 equal to or greater than fifty thousand dollars (\$50,000) and made  
2 for a minimum duration of 60 months. During that 60-month  
3 period, the community development financial institution shall have  
4 full use and control of the proceeds of the entire amount of the  
5 investment as well as any earnings on the investment for its  
6 community development purposes. The entire amount of the  
7 investment shall be received by the community development  
8 financial institution before the application for the tax credit is  
9 submitted. The community development financial institution shall  
10 use the proceeds of the investment for a purpose that is consistent  
11 with its community development mission and for the benefit of  
12 economically disadvantaged communities and low-income people  
13 in California.

14 (2) "Community development financial institution" means a  
15 private financial institution located in this state that is certified by  
16 the Department of Insurance, California Organized Investment  
17 Network, or its successor, that, consistent with the legislative  
18 findings, declarations, and intent in Section 12939 of the Insurance  
19 Code, has community development as its primary mission, and  
20 that lends in urban, rural, or reservation-based communities in this  
21 state. A community development financial institution may include  
22 a community development bank, a community development loan  
23 fund, a community development credit union, a microenterprise  
24 fund, a community development corporation-based lender, or a  
25 community development venture fund.

26 ~~(g)~~

27 ~~(h)~~ (1) If a qualified investment is withdrawn before the end  
28 of the 60th month and not reinvested in another Community  
29 Development Financial Institution within 60 days, there shall be  
30 added to the "net tax," as defined in Section 17039, for the taxable  
31 year in which the withdrawal occurs, the entire amount of any  
32 credit previously allowed under this section.

33 (2) If a qualified investment is reduced before the end of the  
34 60th month, but not below fifty thousand dollars (\$50,000), there  
35 shall be added to the "net tax," as defined in Section 17039, for  
36 the taxable year in which the reduction occurs, an amount equal  
37 to 20 percent of the total reduction for the taxable year.

38 ~~(h)~~

39 (i) In the case where the credit allowed by this section exceeds  
40 the "net tax," the excess may be carried over to reduce the "net

1 tax” for the next four taxable years, or until the credit has been  
2 exhausted, whichever occurs first.

3 (i)

4 (j) The Franchise Tax Board shall, as requested by the  
5 Department of Insurance, California Organized Investment  
6 Network, or its successor, advise and assist in the administration  
7 of this section.

8 (j)

9 (k) This section shall remain in effect only until December 1,  
10 2017, and as of that date is repealed.

11 SEC. 4. Section 23657 of the Revenue and Taxation Code is  
12 amended to read:

13 23657. (a) For each taxable year beginning on or after January  
14 1, 1997, and before January 1, 2017, there shall be allowed as a  
15 credit against the amount of “tax,” as defined in Section 23036,  
16 an amount equal to 20 percent of the amount of each qualified  
17 investment made by a taxpayer during the taxable year into a  
18 community development financial institution that is certified by  
19 the Department of Insurance, California Organized Investment  
20 Network, or any successor thereof.

21 (b) (1) Notwithstanding any other provision of this part, a credit  
22 shall not be allowed under this section unless the California  
23 Organized Investment Network, or its successor within the  
24 Department of Insurance, certifies that the investment described  
25 in subdivision (a) qualifies for the credit under this section and  
26 certifies the total amount of the credit allocated to the taxpayer  
27 pursuant to this section.

28 (2) A credit shall not be allowed by this section unless the  
29 applicant and the taxpayer provide satisfactory substantiation to,  
30 and in the form and manner requested by, the Department of  
31 Insurance, California Organized Investment Network, or any  
32 successor thereof, that the investment is a qualified investment, as  
33 defined in paragraph (1) of subdivision (f) (g). ~~In addition, on or~~  
34 ~~after January 1, 2007, the aggregate certified investments shall~~  
35 ~~meet all of the following:~~

36 ~~(A) Each year, until October 1, the total qualified investments~~  
37 ~~certified in any calendar year from any one community~~  
38 ~~development financial institution together with its affiliates, as~~  
39 ~~defined in Section 1215 of the Insurance Code, does not exceed~~  
40 ~~the lesser of either twenty million dollars (\$20,000,000) or~~

1 percent of the annual aggregate amount of qualified investments  
2 authorized in the first sentence of paragraph (3), or until a date or  
3 an amount determined in regulations promulgated by the Insurance  
4 Commissioner.

5 (B) Each year, until July 1, the annual aggregate amount of  
6 qualified investments specified in the first sentence of paragraph  
7 (3) that is reserved for investments by admitted insurers is 25  
8 percent, or until a date or an amount determined in regulations  
9 promulgated by the Insurance Commissioner.

10 (C) Each year, until July 1, the annual aggregate amount of  
11 qualified investments authorized in the first sentence of paragraph  
12 (3) that is reserved for individual investment amounts of less than  
13 or equal to three hundred thousand dollars (\$300,000) is three  
14 million dollars (\$3,000,000), or until a date or amounts determined  
15 in regulations promulgated by the Insurance Commissioner.

16 (3) The aggregate amount of qualified investments made by all  
17 taxpayers pursuant to this section, Section 12209, and Section  
18 17053.57 shall not exceed ~~twenty million dollars (\$20,000,000)~~  
19 *ten million dollars (\$10,000,000)* for each calendar year. However,  
20 if the aggregate amount of qualified investments made in any  
21 calendar year is less than ~~twenty million dollars (\$20,000,000)~~ *ten*  
22 *million dollars (\$10,000,000)*, the difference may be carried over  
23 to the next year, and any succeeding year during which this section  
24 remains in effect, and added to the aggregate amount authorized  
25 for those years.

26 (4) *If the California Organized Investment Network determines*  
27 *that total qualified investments will exceed the aggregate amount*  
28 *of qualified investments made by all taxpayers specified in*  
29 *paragraph (3), priority shall be granted to those applications that*  
30 *meet any or all of the following:*

31 (A) *Directly benefit low-income persons.*

32 (B) *Prioritize rental housing, mortgages for community-based*  
33 *residential programs, and self-help housing ahead of single-family*  
34 *owned housing.*

35 (C) *Represent investments from insurance companies subject*  
36 *to tax under Section 12201 of this code or under Section 28 of*  
37 *Article XIII of the California Constitution.*

38 (c) The Community Development Financial Institution shall do  
39 all of the following:

1 (1) Apply to the Department of Insurance, California Organized  
2 Investment Network, or its successor, for certification of its status  
3 as a Community Development Financial Institution.

4 (2) Apply to the Department of Insurance, California Organized  
5 Investment Network, or its successor, on behalf of the taxpayer,  
6 for certification of the amount of the investment and the credit  
7 amount allocated to the taxpayer, obtain the certification, and retain  
8 a copy of the certification.

9 (3) Obtain the taxpayer's identification number, or in the case  
10 of an "S" corporation, the taxpayer identification numbers of all  
11 the shareholders for tax administration purposes and provide this  
12 information to the Department of Insurance, California Organized  
13 Investment Network, or its successor, with the application required  
14 in paragraph (2).

15 (4) Provide an annual listing to the Franchise Tax Board, in the  
16 form and manner agreed upon by the Franchise Tax Board and the  
17 Department of Insurance, California Organized Investment  
18 Network, or its successor, of the names and taxpayer identification  
19 numbers of any taxpayer who makes any withdrawal or partial  
20 withdrawal of a qualified investment before the expiration of 60  
21 months from the date of the qualified investment.

22 (5) Submit reports to the department, California Organized  
23 Investment Network, or any successor thereof, as required pursuant  
24 to subdivision (a) of Section 12939.1 of the Insurance Code.

25 *(d) The California Organized Investment Network may certify*  
26 *investments for the credit allowed by this section on or before*  
27 *January 1, 2015, but not after that date.*

28 ~~(d)~~

29 (e) The Insurance Commissioner may develop instructions,  
30 procedures, and standards for applications, and for administering  
31 the criteria for the evaluation of applications under this section.  
32 The Insurance Commissioner may, from time to time, issue  
33 regulations to implement the provisions of this section.

34 ~~(e)~~

35 (f) The Department of Insurance, California Organized  
36 Investment Network, or any successor thereof, shall do all of the  
37 following:

38 (1) Accept and evaluate applications for certification from  
39 financial institutions and issue certificates that the applicant is a  
40 Community Development Financial Institution qualified to receive



1 qualified investments. To receive a certificate, an applicant shall  
2 satisfy the Department of Insurance, California Organized  
3 Investment Network, or any successor thereof, that it meets the  
4 specific requirements to be a community development financial  
5 institution for this state program as defined in paragraph (2) of  
6 subdivision-(f) (g). The certificate may be issued for a specified  
7 period of time, and may include reasonable conditions to effectuate  
8 the intent of this section. The Insurance Commissioner may  
9 suspend or revoke a certification, after affording the institution  
10 notice and the opportunity to be heard, if the commissioner finds  
11 that an institution no longer meets the requirement for certification.

12 (2) Accept and evaluate applications for certification from any  
13 Community Development Financial Institution on behalf of the  
14 taxpayer and issue certificates to taxpayers in an aggregate amount  
15 that shall not exceed the limit specified in subdivision (b). The  
16 certificate shall include the amount eligible to be made as an  
17 investment that qualifies for the credit and the total amount of the  
18 credit to which the taxpayer is entitled for the taxable year.  
19 Applications for tax credits shall be accepted and evaluated  
20 throughout the year. ~~Certificates shall be issued in the order that~~  
21 ~~complete applications are received. If the aggregate amount of tax~~  
22 ~~credit applications exceeds the amount of tax credits available, tax~~  
23 ~~credits shall be approved for qualifying investments on a~~  
24 ~~first-come-first-served basis as determined by the order in which~~  
25 ~~complete applications are received. All applications received on~~  
26 ~~the same business day are deemed to be received at the same time.~~  
27 ~~If the aggregate amount of tax credit applications received on a~~  
28 ~~single business day exceeds the amount of tax credits available,~~  
29 ~~tax credits shall be approved for qualifying investments received~~  
30 ~~on that day on a pro rata basis.~~

31 (3) Provide an annual listing to the Franchise Tax Board, in the  
32 form or manner agreed upon by the Franchise Tax Board and the  
33 Department of Insurance, California Organized Investment  
34 Network, or its successor, of the taxpayers who were issued  
35 certificates, their respective tax identification numbers, the amount  
36 of the qualified investment made by each taxpayer, and the total  
37 amount of all qualified investments.

38 (4) Include information specified pursuant to subdivision (b) of  
39 Section 12939.1 of the Insurance Code in the report required by  
40 Section 12922 of the Insurance Code.

1     ~~(f)~~

2     (g) For purposes of this section:

3     (1) “Qualified investment” means an investment that is a deposit  
4 or loan that does not earn interest, or an equity investment, or an  
5 equity-like debt instrument that conforms to the specifications for  
6 these instruments as prescribed by the United States Department  
7 of the Treasury, Community Development Financial Institutions  
8 Fund, or its successor, or, in the absence of that prescription, as  
9 defined by the Insurance Commissioner. The investment must be  
10 equal to or greater than fifty thousand dollars (\$50,000) and made  
11 for a minimum duration of 60 months. During that 60-month  
12 period, the community development financial institution shall have  
13 full use and control of the proceeds of the entire amount of the  
14 investment as well as any earnings on the investment for its  
15 community development purposes. The entire amount of the  
16 investment shall be received by the community development  
17 financial institution before the application for the tax credit is  
18 submitted. The community development financial institution shall  
19 use the proceeds of the investment for a purpose that is consistent  
20 with its community development mission and for the benefit of  
21 economically disadvantaged communities and low-income people  
22 in California.

23     (2) “Community development financial institution” means a  
24 private financial institution located in this state that is certified by  
25 the Department of Insurance, California Organized Investment  
26 Network, or its successor, that, consistent with the legislative  
27 findings, declarations, and intent in Section 12939 of the Insurance  
28 Code, has community development as its primary mission, and  
29 that lends in urban, rural, or reservation-based communities in this  
30 state. A community development financial institution may include  
31 a community development bank, a community development loan  
32 fund, a community development credit union, a microenterprise  
33 fund, a community development corporation-based lender, or a  
34 community development venture fund.

35     ~~(g)~~

36     (h) (1) If a qualified investment is withdrawn before the end  
37 of the 60th month and not reinvested in another Community  
38 Development Financial Institution within 60 days, there shall be  
39 added to the “tax,” as defined in Section 23036, for the taxable

1 year in which the withdrawal occurs, the entire amount of any  
2 credit previously allowed under this section.

3 (2) If a qualified investment is reduced before the end of the  
4 60th month, but not below fifty thousand dollars (\$50,000), there  
5 shall be added to the “tax,” as defined in Section 23036, for the  
6 taxable year in which the reduction occurs, an amount equal to 20  
7 percent of the total reduction for the taxable year.

8 ~~(h)~~

9 (i) In the case where the credit allowed by this section exceeds  
10 the “tax,” the excess may be carried over to reduce the “tax” for  
11 the next four taxable years, or until the credit has been exhausted,  
12 whichever occurs first.

13 ~~(i)~~

14 (j) The Franchise Tax Board shall, as requested by the  
15 Department of Insurance, California Organized Investment  
16 Network or its successor, advise and assist in the administration  
17 of this section.

18 ~~(j)~~

19 (k) This section shall remain in effect only until December 1,  
20 2017, and as of that date is repealed.